

## Message Text

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41

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SUBJ: NEW IRANIAN IMPORT REGULATIONS

REF: STATE 077568, TEHAN A-61, TEHRAN 2952, TEHRAN 3350

1. BEGIN SUMMARY: BASED UPON SUTDY OF THE NEW IRANIAN IMPORT REGULATIONS(SO FAR AVAILABLE ONLY IN THE FARSI VERSION), FOLLOWED BY DISCUSSIONS WITH SELECTED LOCAL BUSINESSMEN AND GOVERNMENT OFFICIALS, EMBASSY FEELS THEY WILL HAVE LIMITED IMPACT ON THE LEVEL OF U.S. TRADE. TEXTILES ARE A POSSIBLE EXCEPTION. IN THIS AREA IT APPEARS THAT SOME U.S. EXPORTERS MAY LOSE SALES AS A RESULT OF TIGHTENED IMPORT LICENSING. LIMITED AMOUNTS OF ADDITIONAL BUSINESS MAY, HOWEVER ,BE GENERATED BY RELAXATIONS IN OTHER CATEGORIES. END SUMMARY

2. THE IRANIAN TRADE REGULATIONS WHICH BECAME EFFECTIVE ON MARCH 21 DO NOT ENCOMPASS SWEEPING CHANGES AND WERE DESCRIBED BY A SENIOR MINISTRY OF COMMERCE OFFICIAL AS CONTINUING THE TREND TOWARD LIBERALIZATION THAT HAS CHARACTERIZED RECENT GOI COMMERCIAL POLICY. HE ASSERTED THAT NO DRASTIC CHANGES HAD OCCURRED OR SHOULD HAVE BEEN EXPECTED SINCE THE ANNUAL TRADE REGULATION REEXAMINATION AND

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FORMULATION AIMED ONLY AT MAKING ADJUSTMENTS DEEMED DESIRABLE

OR NECESSARY FOR THE ECONOMY.

3. IRANIAN BUSINESSMEN SEEM GENERALLY NONCOMMITTAL OR APATHETIC TOWARD THE BULK OF THE CHANGES EXCEPT FOR THE TEXTILE IMPORTERS, WHO REPORT WITH DISMAY THAT GOVERNMENTAL CIRCULARS TO THE CENTRAL BANK VVIVING THE NEED FOR PRIOR PERMISSION TO IMPORT A BROAD RANGE ON NON-WOOLEN TEXTILES WERE ALLOWED TO LAPSE AT YEAR'S END. THIS MOVE IS A REVERSION TO THE SITUATION THAT EXISTED DURING THE FIRST PART OF LAST YEAR BEFORE THE WAIVER CONVERING SUCH PRODUCTS WAS APPROVED IN MID-APRIL AND EARLY JULY AS AN ANTI-INFLATIONARY MEASURE. THE FAILURE TO RENEW THE WAIVERS WAS DUE IN PART TO PRESSURES FROM THE LARGE DOMESTIC TEXTILE INDUSTRY WHICH ALSO ACCOUNT FOR THE FACT THAT MOST SUCH ITEMS REQUIRE PRIOR PERMISSION. IMPORTS OF NON-WOOLEN TEXTILES FROM THE U.SN IN 1974-75, THE LAST IRANIAN YEAR FOR WHICH SUCH DATA AVAILABLE, WERE VALUED AT APPROXIMATELY \$5 MILLION; HOWEVER, IMPORTS IN THE FIRST SIX MONTHS OF 1975-76(MARCH 21-SEPTEMBER 20) WERE APPROXIMATELY \$4 MILLION AND UNDOUBTEDLY ROSE STEEPLY IN THE LATTER PART OF THE YEAR FOLLOWING THE ISSUANCE OF THE WAIVERS. BECAUSE SUCH WAIVERS CAN BE ISSUED AT ANY TIME DURING THE YEAR, IT IS DIFFICULT TO PREDICT THE IMPACT OF THE LAPSE OF THE PREVIOUSLY EXISTING WAIVERS.

4. THE NEW PRIOR APPROVAL REQUIREMENT ON PNEUMATIC TOOLS OTHER THAN CEMENT VIBRATORS, WAS PROMPTED BY THE DESIRE TO AFFORD PROTECTION TO A NEWLY-ESTABLISHED PLANT, COMPIDRO, A JOINT VENTURE BETWEEN COMPAIR INTERNATIONAL LTD. OF THE UK AND THE INDUSTRIAL DEVELOPMENT AND RENOVATION ORGANIZATON(IDRO). IMPORTS OF SUCH ITEMS FROM THE U.SAUSIN THE IRANIAN YEAR 1974-75 WERE VALUED AT APPROXIMATELY \$48 THOUSAND BUT IN THE FIRST HALF OF 1975-76 CLIMBED TO APPROXIMATELY \$440,000.

5. ON THE POSITIVE SIDE, IMPORTERS WERE HAPPY TO SEE IMPORTS OF CANNED FISH FREED FROM RESTRICTION AND THE COMMERCIAL BENEFIT TAX(CBT) REDUCED; HOWEVER, THEY HAD HOPED FOR A MUCH WIDER LIBERALIZATION OF RESTRICTIONS

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AND TAXES ON IMPORTS OF PREPARED FOODS. WHEN QUERIED ON THIS POINT, DEPUTY MINISTER OF COMMERCE AROOZI INDICATED ONLY THAT PRIORITY HAD BEEN GIVEN TO CANNED FISH AS A NEEDED SOURCE OF PROTEIN. IT IS SOMEWHAT MORE DIFFICULT TO PREDCT DEMAND FOR HITHERTO NON-IMPORTABLE ITEMS; HOWEVER PROSPECTS WOULD APPEAR RELATIVELY BRIGHT FOR AT LEAST ONE ITE, SYNTHETIC CARPETING AND RUGS(58.02 C). AGRICULTURAL INCUBATORS SHOULD ALSO FIND A MARKET. AS

REGARDS THE REDUCTION IN CBT ON A NUMBER OF HOUSEHOLD APPLIANCES, HOWEVER, MOST IMPORTERS WELCOMED THE REDUCTION BUT WERE UNANIMOUS IN THEIR FEELING THAT THE REDUCTIONS WERE INCONSEQUENTIAL IN MAGNITUDE AND SHOULD HAVE LITTLE EFFECT. ONE DISTRIBUTOR INDICATED HIS INTENTION TO USE THE REDUCTION FOR ADVERTISING IN AN EFFORT TO BOOST SALES(AND HENCE IMPORTS). ACCORDINGLY, THE CHANGES ARE EXPECTED TO DO RELATIVELY LITTLE TO HEIGHTEN SIGNIFICANTLY THE LEVEL OF U.S. SALES IN THE COMING YEAR.

6. IT SHOULD BE NOTED THAT CHANGES IN THE STATUS OF PRODUCTS REQUIRE PRIOR PERMISSION TO IMPORT OCCUR THROUGHOUT THE YEAR AS DEEMDE NECESSARY BY THE IRANIAN AUTHORITIES, EXAMPLES INCLUDE THE WAIVER ISSUED ON TEXTILES LAST YEAR AND THE ON-AGAIN-OFF-AGAIN STATUS OF CERTAIN ITEMS OF USED CONSTRUCTION EQUIPMENT AS TEMPORARY SHORTAGES WERE MET AND SUBSEQUENTLY FILLED. AN EVEN MORE RECENT MOVE, WHICH WAS JUST ANNOUNCED, IS THAT TO WAIVE THE NEED FOR PRIOR PERMISSION FOR IMPORTS OF NO. 18-AND-ABOVE IRON GIRDERS. (THOSE BETWEEN NOS8 AND 18 ARE LOCALLY PRODUCED.) THUS, SOME OR ALL TEXTILE ITEMS MIGHT AGAIN BE FREELY IMPORTABLE IN 1976, ALONG WITH PNEUMATIC TOOLS, IF THE SITUATION WARRANTED.

7. OBVIOUSLY, A MUCH MORE SIGNIFICANT FACTOR ON THE OVERALL LEVEL OF U.S. EXPORTS THAN INDIVIDUAL IMPORT STATUS CHARGES WILL BE TOS GOVERNMENTAL POLICIES AFFECTING BUSINESS ACTIVITY, SUCH AS GOVERNMENT SPENDING ON MAJOR PROJECTS, BACK PAYMENTS TO GOVERNMENT CONTRACTORS AND OTHER LOCAL CREDITORS, PRICE CONTROLS, ETC., ALONG WITH GOVERNMENTAL INCOME FROM PETROLEUM.  
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